

ASSEMBLY BILL

No. 715

Introduced by Assembly Member Firebaugh

February 24, 1999

An act to amend Section 14087.325 of, and to add Section 14087.326 to, the Welfare and Institutions Code, relating to social services.

LEGISLATIVE COUNSEL'S DIGEST

AB 715, as introduced, Firebaugh. Medi-Cal: contracts for services and case management.

Existing law requires the State Department of Health Services to administer a program to ensure that total payments to federally qualified health centers and rural health clinics operating as managed care subcontractors comply with applicable federal law regarding reasonable cost reimbursement for services provided by those entities.

Existing federal law requires states to reimburse all federally qualified health centers and rural health clinics based on 100% of the reasonable cost for the delivery of medicaid services through fiscal year 1999 and authorizes, commencing in fiscal year 2000, states to reduce cost reimbursement by an incremental percentage each year until October 1, 2003, when the cost reimbursement provisions are repealed.

This bill would require, on and after October 1, 1999, the department to continue to provide reimbursement based on 100% of the reasonable cost for all rural health clinic services and federally qualified health services and any other

ambulatory services that are offered by a rural health clinic or a federally qualified health center and which are otherwise included in the state plan for medical assistance. The bill would require that reimbursement based on 100% of the reasonable cost for services provided by federally qualified health centers and rural health clinics continue beyond the 2007 fiscal year.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) Section 1396a(a)(13)(C) of Title 42 of the United
4 States Code, as amended by Section 4712 of the federal
5 Balanced Budget Act of 1997 (P.L. 105-33), requires states
6 to reimburse all federally qualified health centers and
7 rural health clinics based on 100 percent of the reasonable
8 cost for the delivery of medicaid services through fiscal
9 year 1999. Beginning in fiscal year 2000, states are allowed
10 to reduce cost reimbursement by an incremental
11 percentage each year until October 1, 2003, when the cost
12 reimbursement provisions are repealed.

13 (b) The Health Care Financing Administration
14 interprets federal law to allow states the option to
15 continue 100 percent reimbursement to federally
16 qualified health centers and rural health clinics during
17 and beyond the statutory phaseout period.

18 (c) Medi-Cal reimbursement based on 100 percent of
19 the reasonable cost ensures that federally qualified health
20 centers and rural health clinics can continue to serve at
21 least 10 percent of California's seven million uninsured
22 people, including children and the aged.

23 SEC. 2. Section 14087.325 of the Welfare and
24 Institutions Code is amended to read:

25 14087.325. (a) The department shall require, as a
26 condition of obtaining a contract with the department,
27 that any local initiative, as defined in subdivision (v) of
28 Section 53810 of Title 22 of the California Code of



1 Regulations, offer a subcontract to any entity defined in
2 Section 1396d (l)(2)(B) of Title 42 of the United States
3 Code providing services as defined in Section
4 1396d(a)(2)(C) of Title 42 of the United States Code and
5 operating in the service area covered by the local
6 initiative's contract with the department. These entities
7 are also known as federally qualified health centers.

8 (b) Except as otherwise provided in this section,
9 managed care subcontracts offered to a federally
10 qualified health center or a rural health clinic, as defined
11 in Section 1396d(l)(1) of Title 42 of the United States
12 Code, by a local initiative, county organized health
13 system, as defined in Section 12693.05 of the Insurance
14 Code, commercial plan, as defined in subdivision (h) of
15 Section 53810 of Title 22 of the California Code of
16 Regulations, or a health plan contracting with a
17 geographic managed care program, as defined in
18 subdivision (g) of Section 53902 of Title 22 of the
19 California Code of Regulations, shall be on the same terms
20 and conditions offered to other subcontractors providing
21 a similar scope of service.

22 (c) The department shall provide incentives in the
23 competitive application process described in paragraph
24 (1) of subdivision (b) of Section 53800 of Title 22 of the
25 California Code of Regulations, to encourage potential
26 commercial plans as defined in subdivision (h) of Section
27 53810 of Title 22 of the California Code of Regulations to
28 offer subcontracts to these federally qualified health
29 centers.

30 (d) Reimbursement to federally qualified health
31 centers and rural health centers for services provided
32 pursuant to a subcontract with a local initiative, a
33 commercial plan, geographic managed care program
34 health plan, or a county organized health system, shall be
35 paid in a manner that is not less than the level and amount
36 of payment that the plan would make for the same scope
37 of services if the services were furnished by a provider
38 that is not a federally qualified health center or rural
39 health clinic.

1 (e) (1) The department shall administer a program to
2 ensure that total payments to federally qualified health
3 centers and rural health clinics operating as managed
4 care subcontractors pursuant to subdivision (d) comply
5 with applicable federal law regarding reasonable cost
6 reimbursement for services provided by these entities
7 pursuant to Sections 1902(a)(13)(C) and
8 1903(m)(2)(A)(ix) of the Social Security Act (42
9 U.S.C.A. Secs. 1396a(a)(13)(C) and
10 1396b(m)(2)(A)(ix)). *On and after October 1, 1999, the*
11 *department shall continue to provide reimbursement*
12 *based on 100 percent of the reasonable cost for all rural*
13 *health clinic services and federally qualified health*
14 *services, as defined in Section 1396d(l) of Title 42 of the*
15 *United States Code and any other ambulatory services*
16 *that are offered by a rural health clinic or a federally*
17 *qualified health center and which are otherwise included*
18 *in the state plan for medical assistance. Under the*
19 *department's program, federally qualified health centers*
20 *and rural health clinics subcontracting with local*
21 *initiatives, commercial plans, county organized health*
22 *systems, and geographic managed care program health*
23 *plans shall seek supplemental reimbursement from the*
24 *department through a per visit fee-for-service billing*
25 *system utilizing the state's Medi-Cal fee-for-service*
26 *claims processing system contractor. To carry out this per*
27 *visit payment process, each federally qualified health*
28 *system and rural health clinic shall submit to the*
29 *department for approval a rate differential calculated to*
30 *reflect the amount necessary to reimburse the federally*
31 *qualified health center or rural health clinic the*
32 *difference between the payment the center or clinic*
33 *received from the managed care health plan and the*
34 *interim rate established by the department based on the*
35 *center's or clinic's reasonable cost. The department shall*
36 *adjust the computed rate differential as it deems*
37 *necessary to minimize the difference between the*
38 *center's or clinic's revenue from the plan and the center's*
39 *or clinic's cost-based reimbursement.*

(2) In addition, to the extent feasible, within six months of the end of the center's or clinic's fiscal year, the department shall perform an annual reconciliation to reasonable cost, and make payments to, or obtain a recovery from, the center or clinic.

(f) In calculating the capitation rates to be paid to local initiatives, commercial plans, geographic managed care program health plans, and county organized health systems, the department shall not include the additional dollar amount applicable to cost-based reimbursement that would otherwise be paid, absent cost-based reimbursement, to federally qualified health centers and rural health clinics in the Medi-Cal fee-for-service program.

(g) (1) A federally qualified health center or rural health clinic may voluntarily agree to enter into a capitated or other at-risk contract with a managed care program health plan if the clinic agrees to all of the following:

(A) Reimbursement by the health plan under the contract is payment in full for the services provided under the contract and the costs and revenues experienced by the clinic under the contract shall not be subjected to reconciliation to reasonable cost.

(B) The clinic shall not seek supplemental reimbursement from the department, as provided in paragraph (1) of subdivision (e), or seek reconciliation to reasonable cost with the department, as provided in paragraph (2) of subdivision (e).

(2) The existence of a contract specified in paragraph (1) shall not void the center's or clinic's right to reconciliation to reasonable cost for those services that are not part of the center's or clinic's capitated or other at-risk contract with a health plan.

(3) A federally qualified health center or rural health clinic that agrees to enter into a capitated or at-risk contract shall, in writing to the department, affirmatively waive its right to supplemental reimbursement as provided in paragraph (1) of subdivision (e), and reconciliation to reasonable cost as provided in paragraph

1 (2) of subdivision (e) for services provided pursuant to
2 the subcontract with the health plan. Nothing in this
3 paragraph shall restrict a center or clinic that waives its
4 right to cost-based reimbursement from reinstating that
5 right, in writing to the department, if the capitation or
6 at-risk contract between the center or clinic and the
7 health plan that prompted the waiver terminates.

8 (h) The department shall approve all contracts
9 between federally qualified health centers or rural health
10 clinics and any local initiative, commercial plan,
11 geographic managed care program health plan, or county
12 organized health system, in order to ensure compliance
13 with this section.

14 (i) This section shall not preclude the department
15 from establishing pilot programs pursuant to Section
16 14087.329.

17 SEC. 3. Section 14087.326 is added to the Welfare and
18 Institutions Code, to read:

19 14087.326. (a) The department shall provide
20 reimbursement based on 100 percent of the reasonable
21 cost for rural health clinic services, as defined in Section
22 1396d(l)(1)(A) of Title 42 of the United States Code, and
23 any other ambulatory services that are offered by a rural
24 health clinic and that are otherwise included in the state
25 plan for medical assistance.

26 (b) The department shall provide reimbursement
27 based on 100 percent of the reasonable cost for federally
28 qualified health center services, as defined in Section
29 1396d(l)(2)(A) of Title 42 of the United States Code, and
30 any other ambulatory services that are offered by a
31 federally qualified health center and that are otherwise
32 included in the state plan for medical assistance.

33 (c) The department shall provide reimbursement for
34 services provided by federally qualified health centers
35 and rural health clinics prior to October 1, 1999,
36 consistent with Section 1396a(a)(13)(C) of Title 42 of the
37 United States Code.

38 (d) The department shall reimburse for services
39 provided by federally qualified health centers and rural

1 health clinics on or after October 1, 1999, based on 100
2 percent of the reasonable cost.

3 (e) The department's reimbursement methodology
4 for services provided by federally qualified health centers
5 and rural health clinics on or after October 1, 1997, shall
6 be consistent with Section 14087.325.

7 (f) Reimbursement based on 100 percent of the
8 reasonable cost for services provided by federally
9 qualified health centers and rural health clinics shall
10 continue beyond the 2007 fiscal year until such time as this
11 section is amended or repealed.

